

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7557

BILL NUMBER: HB 1514

DATE PREPARED: Jan 5, 2001

BILL AMENDED:

SUBJECT: Education Funding.

FISCAL ANALYST: Chuck Mayfield

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that a school corporation that receives emergency financial relief after petitioning to the School Property Tax Control Board does not become a controlled school corporation if: (1) the school corporation has paid its debt service obligations that are due to a school building corporation or leasing corporation; and (2) the financial relief is necessary because the Treasurer of State deducts funds under the intercept provision because the school building corporation or leasing corporation fails to pay or otherwise defaults on its debt obligations to another person. It provides that if a school corporation has paid its debt service obligations that are due to a school building corporation or leasing corporation, amounts may not be deducted under the state funds intercept provision merely because the building corporation or leasing corporation fails to pay its debt obligations to another person, unless the school corporation has explicitly guaranteed the payment by the building corporation or leasing corporation.

Effective Date: January 1, 2000 (retroactive); July 1, 2001.

Explanation of State Expenditures: The bill could have some minor fiscal savings for the School Property Tax Control Board since the schools receiving emergency financial relief would not be controlled schools. The Board must review certain financial transactions of controlled schools. The State Treasurer could also experience possible savings by not having to use the state intercept provisions for schools that have made debt payments even if the bond holders have not received the funds.

The situation described in the bill has happened once in the last 25 years.

Explanation of State Revenues:

Explanation of Local Expenditures: A school described in the bill could have some minor administrative savings from not being classified as a controlled school.

The change in the intercept language could have some effect on the bond ratings of local schools. Currently, schools generally have high bond ratings, partially due to the intercept provisions. It is unknown if the change would be sufficient to downgrade a school's rating.

Explanation of Local Revenues:

State Agencies Affected: State Board of Tax Commissioners, State Treasurer.

Local Agencies Affected: Local School Corporations.

Information Sources: